

MARKET FUNDAMENTALS

	YOY Chg	Outlook
26.5% Vacancy Rate (Total Market)	▲	▲
-19,838 6-month Net Absorption, sqm (St Kilda/Southbank)	▼	▼
\$330 Prime Net Effective, sqm pa (Total Market)	▲	▬

*Total Market refers to St Kilda, Southbank, Richmond/Cremorne, Collingwood/Fitzroy

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.1% (National) GDP Growth	▲	▲
2.9% (Victoria) State Final Demand Growth	▲	▲
4.4% (National) Unemployment Rate	▲	▲

Source: ABS

ECONOMIC OVERVIEW:

Economic conditions remain mixed, with growth improving modestly while inflationary pressures remain elevated. GDP rose by 0.4% in the June quarter and 2.1% over the year, marking a slight improvement in quarterly growth despite a moderation in the annual rate. Meanwhile, headline CPI reached 3.5% year-on-year in July, while trimmed mean inflation rose to 3.6%, indicating that underlying inflation remains persistent. The RBA raised the cash rate by 25 bps to 4.60% in September, reflecting ongoing concerns around inflationary pressures and its commitment to returning inflation to the target range, while signaling that further tightening may be required if inflation remains elevated. . Victoria’s State Final Demand is forecast to grow by 1.8% in 2026, before strengthening to 2.6% in 2027.

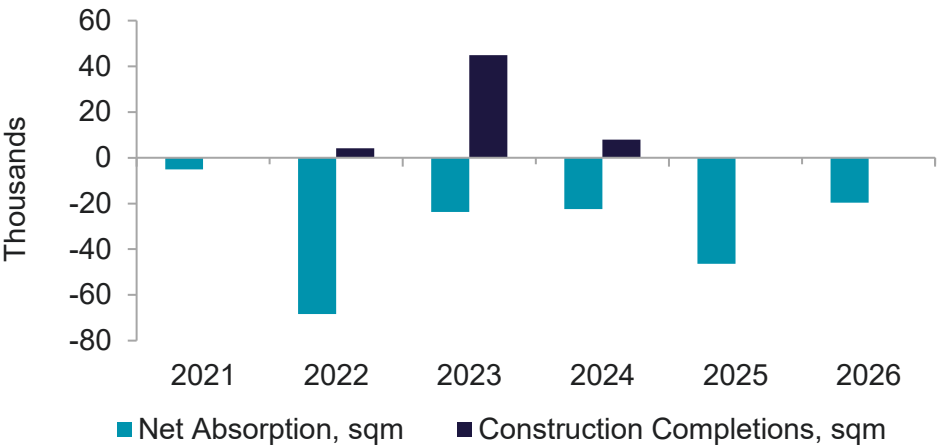
DEMAND:

Melbourne’s fringe office market remained mixed through Q3 2026, with performance increasingly varied by precinct and grade. Although Southbank recorded negative net absorption across both A and B Grade, leasing activity continued, pointing to selective occupier demand despite softer headline conditions. St Kilda Road showed more encouraging signs, with B Grade returning to positive absorption of around 5,000 sqm while the contraction in A Grade moderated. Improving enquiry levels in Richmond and Cremorne provide a further positive signal, suggesting momentum is gradually improving, though unevenly across precincts and asset quality.

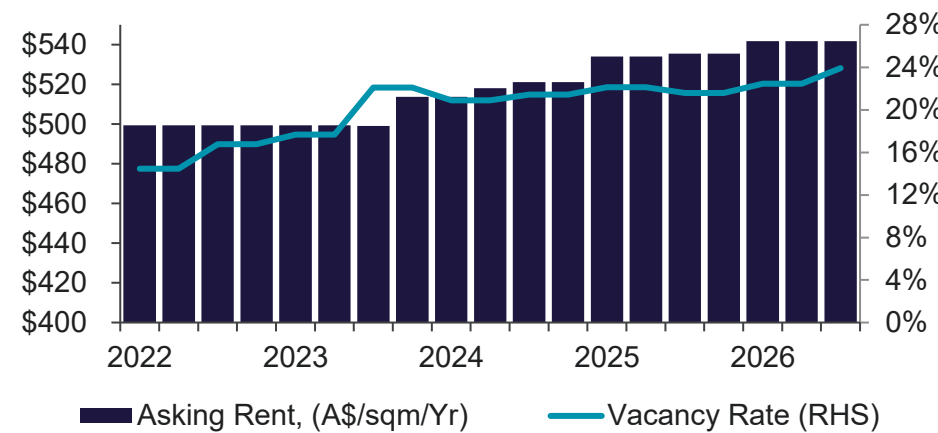
RENTS & INCENTIVES:

Rental conditions across Melbourne’s fringe office markets remained broadly stable through Q3 2026, with little movement in rents or incentives. Southbank A Grade net face rents held at around \$684 per sqm p.a., with incentives averaging 45%, while St Kilda Road rents remained around \$520 per sqm p.a. with incentives at 49%. Richmond and Cremorne recorded a modest increase in outgoings, while operating costs elsewhere remained broadly unchanged. Despite mixed leasing demand, landlords have largely maintained existing rental levels and incentive settings, suggesting a period of relative pricing stability. With leasing performance continuing to vary by precinct and grade, rental growth is likely to remain limited until a more sustained recovery in occupier demand emerges in fringe market.

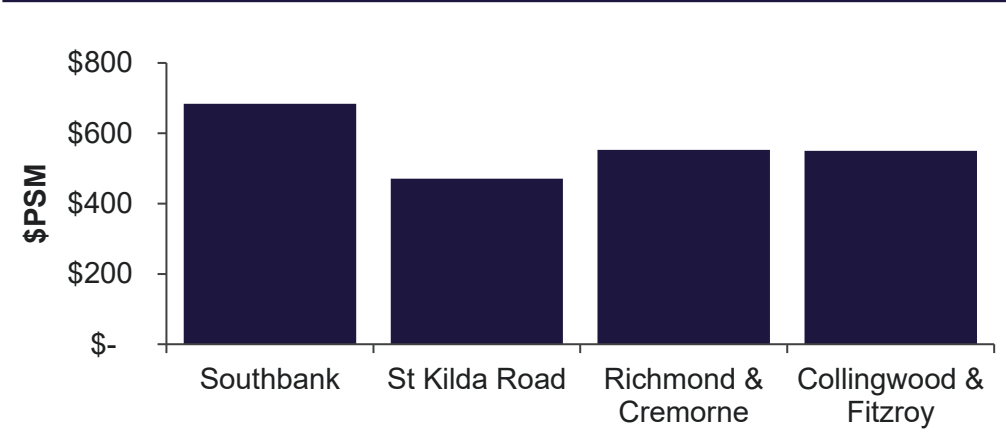
SPACE DEMAND / DELIVERIES



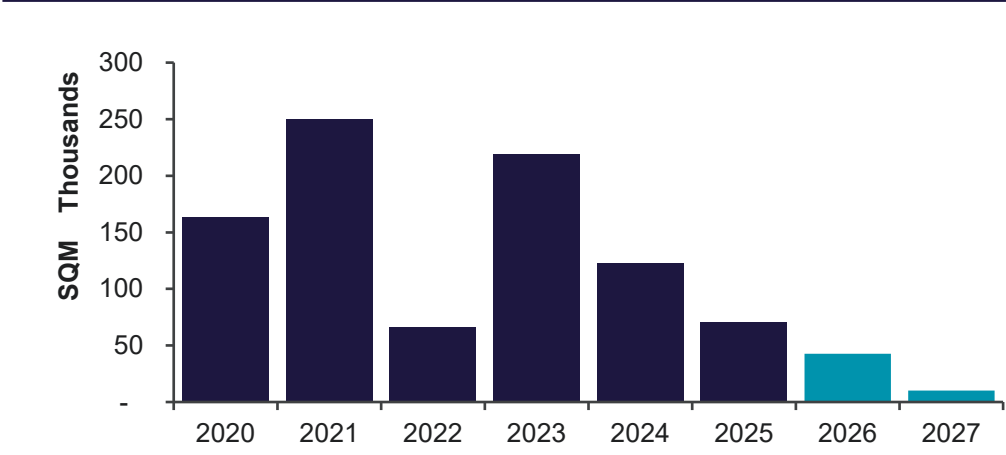
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



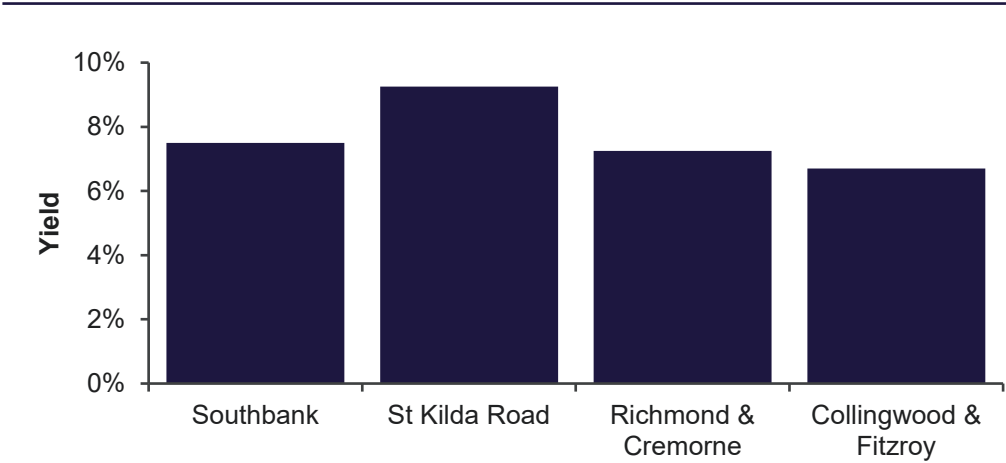
AVERAGE NET FACE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

Vacancy remained elevated across Melbourne’s fringe office markets through Q3 2026, although conditions varied by precinct. St Kilda Road vacancy edged higher from 31.6% to 31.8%, remaining the highest office vacancy rate nationally. Southbank vacancy increased from 15.0% to 18.8%, with direct vacancy rising from around 61,000 sqm to 76,000 sqm despite further stock withdrawals. In Richmond and Cremorne, new development continues to add competitive stock, with the completion of 120 Balmain Street adding around 12,000 sqm. This is providing occupiers with greater choice as demand across the broader fringe market remains uneven.

YIELDS:

Investment pricing across Melbourne’s fringe office markets diverged further through Q3 2026. St Kilda Road recorded the most significant movement, with average yields expanding from 8.20% to 9.25%, reflecting continued investor caution amid elevated vacancy and subdued leasing conditions. Richmond and Cremorne yields also expanded from 7.08% to 7.25%, while Collingwood increased from 7.45% to 7.63%. In contrast, Southbank yields compressed from 7.63% to 7.50%, despite an increase in vacancy during the quarter. The divergence highlights an increasingly precinct and asset-specific investment market, with pricing influenced by location, asset quality, leasing prospects and longer-term repositioning potential.

INVESTMENT MARKET:

Office investment activity across Melbourne’s fringe markets remained subdued through Q3 2026, although recent transactions indicate continued depth of capital for quality assets. The off-market sale of 380 St Kilda Road for \$140.5 million to offshore purchaser OSK Capital attracted a competitive bidding process, providing an early indication of investor appetite entering the quarter.

This was followed by the \$94.5 million sale of Buildings 1 and 2 at 658 Church Street. The asset attracted a highly competitive bidding process, with Kinkora emerging as the successful buyer. Notably, Kinkora’s capital raise for the acquisition was oversubscribed, reinforcing the depth of capital available for well-leased opportunities.

The near-full occupancy of 658 Church Street is particularly notable given uneven leasing conditions across fringe precincts. While overall transaction volumes remain limited, the competitive processes for both assets suggest capital remains available where income security and asset fundamentals are compelling. With yields continuing to adjust, investment activity is likely to remain selective, with buyers placing greater emphasis on leasing risk, income certainty and asset-specific fundamentals.

OUTLOOK

- Melbourne’s fringe office market is likely to experience an uneven recovery. Improving enquiry levels provide some encouragement, although leasing performance continues to vary by precinct and grade.
- Vacancy will remain a key challenge, particularly across St Kilda Road and Southbank, while new supply in Richmond and Cremorne will add further competition for tenants.
- Rental conditions should remain broadly stable in the near term, with limited movement in rents and incentives as landlords continue to compete for demand.
- Investment conditions remain precinct specific, with significant yield softening in St Kilda Road contrasting with compression in Southbank and more moderate repricing elsewhere.
- Transaction activity is likely to remain selective following the Q3 slowdown, with well-leased assets offering income certainty better positioned to attract investor interest.

MARKET STATISTICS

SUBMARKET -	INVENTORY (SQM)	TOTAL VACANT (SQM)	OVERALL VACANCY RATE	6-MONTH NET- ABSORPTION (SQM)	UNDER CONSTRUCTION (SQM)	NET FACE RENT (\$ SQM PA)	AVERAGE GROSS INCENTIVES	AVERAGE OUTGOINGS (\$ SQM PA)
Southbank	413,159	77,628	18.8%	-18,445	-	\$684	35%	\$200
St Kilda Road	589,868	187,766	31.8%	-1,393	-	\$520	37%	\$171
Richmond/Cremorne	~500,000	-	-	-	29,275	\$612	33%	\$159
Collingwood/Fitzroy	~153,000	-	-	-	-	\$550	34%	\$132
TOTALS	1,656,027	265,394	26.5%	-19,838	29,275	-	-	-

*Rental rates reflect full service asking for A-grade properties

^Reflects precinct totals for all grades

~ Reflects all grades and all fringe precincts

KEY LEASE TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
28 Freshwater Place	Southbank	Next DC	1,780	Direct
510 Church Street	Cremorne	Siemens	1,269	Direct
510 Church Street	Cremorne	Stack Infrastructure	1,000	Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SQM	PRICE (AUD M)
380 St Kilda Road	St Kilda Road	Mirvac/OSK Capital	26,892	140.5
Building 1 & 2, 658 Church Street	Cremorne	Terraplex/Kinkora Investments	13,243	94.5

KEY PROJECTS UNDER CONSTRUCTION & COMPLETIONS

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	OWNER/DEVELOPER
120 Cremorne Street	Cremorne	Easy Go Gaming	13,300	ICON
9-11 Stewart Street	Richmond	N/A	3,820	Slimform
525 Church Street	Richmond	N/A	10,155	Elite Property

LOCAL LEADS

BEN WARD

Head of Office Leasing,
Victoria
Tel: +61 (0) 412 113 936
ben.ward@cushwake.com

SIMON CONIE

Joint Head of Tenant Advisory Group,
Victoria
Tel: +61 (0) 396 317 649
simon.conie@cushwake.com

MARCUS TANTI

Joint Head of Tenant Advisory Group,
Victoria
Tel: +61 (0) 411 384 801
marcus.tanti@cushwake.com

NATIONAL LEADS

JOSH MCNAMARA

Managing Director,
Tenant Advisory Group ANZ
Tel: +61 (0) 449 960 090
josh.mcnamara@cushwake.com

NICK RATHGEBER

International Director,
Capital Markets, ANZ
Tel: +61 (0) 413 420 400
nick.rathgeber@cushwake.com

JAKE MCKINNON

Associate Director,
National Research
Tel: +61 (0) 410 611 548
jake.mckinnon@cushwake.com

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